

**SOUTHERN AFRICAN TRADE AND INVESTMENT SUMMIT
WINDHOEK COUNTRY CLUB RESORT
WINDHOEK, NAMIBIA
OCTOBER 9-11, 2000**

**“THE IMPACT AND SIGNIFICANCE OF THE AFRICAN GROWTH AND
OPPORTUNITY ACT”**

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October 11, 2000

I am very pleased to be here in Namibia at the International Herald Tribune Southern Africa Trade and Investment Summit. Let me begin by saying that President Clinton made African development a centerpiece of U.S. economic policy when, in 1997, he announced a new partnership for African economic growth. The depth of this commitment is reflected in his two trips to this continent. This commitment was codified and institutionalized by the enactment this year of the first U.S. trade bill for Africa, the African Growth and Opportunity Act (AGOA). And just last week, President Clinton took a major step in implementing the law by designating 34 countries, including 10 SADC countries, as eligible for AGOA benefits.

The Act ushers in a new era of trade relations with Africa. It elevates the importance of our relationship with Africa, substantially opens the American market to African goods, and establishes the highest level policy dialogue with African nations.

Under AGOA, no other region in the world will have better access to the U.S. market than Africa, aside from a handful of countries that have Free Trade Agreements with the U.S. The Act dramatically increases --by nearly two thousand products -- the number of African products eligible to enter the U.S. market on a duty-free basis. For the first time ever, certain

African apparel products will be accorded duty free treatment, giving African apparel exporters an average 17.5 percent duty advantage over other suppliers to the U.S. market. More broadly, AGOA's duty free benefits give African businesses a competitive advantage over most of the world's businesses in selling goods to the U.S. market.

Among other benefits, the Act provides for technical assistance to strengthen the trade and investment regimes in African countries and establishes \$500 million in equity and infrastructure funds for Africa. The Act also calls for strengthening ties between African and U.S. non-governmental organizations, private sector firms as well as governments.

Because of all of these advantages, the Act will have the potential to increase significantly U.S. – African trade and investment. Exports of agricultural and manufacturing goods and apparel products could rise by billions of dollars. These new exporters will need increased labor, services and materials. The Act will also stimulate new investment, generating job creation, skills enhancement, and the transfer of new technologies to Africa-- all of which will promote growth and development in Africa.

The Act presents an enormous opportunity to strengthen and diversify our trade relationship with the countries of the SADC region. Expanded sales to the U.S. resulting from AGOA is likely to lead to greater trade among the SADC nations, as countries exporting directly to the U.S. rely on their SADC neighbors for critical inputs. Countries with efficient port facilities will also likely experience increased business activity as a result of expanded trade with the U.S.

There are two additional implementation steps that the U.S. Government must undertake. First, the President must designate additional African products eligible to receive duty free

treatment. We are hopeful that essentially all products would be granted duty free treatment, but final decisions will be made by the end of this year.

Second, in order to be eligible for the apparel benefits, countries must develop an effective visa system. This system is required to prevent what is known as illegal transshipment.- that is when a country falsely claims that its product is made in an eligible African country. In devising these requirements, our Congress wanted to ensure that the benefits of the Act actually accrued to African countries and workers. With the completion of these two steps, the U.S. Government will have finished the work necessary to permit African trade benefits to flow.

It is important to understand that AGOA offers opportunities, not guarantees. The benefits that will accrue to each of the AGOA designated nations, including the SADC beneficiary countries, will depend on whether African companies are prepared to take advantage of the Act's benefits. The U.S. market is a complex one, and it will be important, in some cases, for African businesses to find the right U.S. partners who can help in tailoring products, assess niche markets, identify sources of capital and understand the specific requirements of the U.S. market.

It is also important that African countries work with their private sectors to ensure that they are aware of the Act's benefits and requirements. Indeed, a number of African governments are working closely with their private sectors to this end. The Office of the U.S. Trade Representative and our embassies have been active in explaining the requirements and benefits of AGOA to both governments and private sectors and we are prepared to assist in whatever way we can. We intend to conduct a number of regional seminars throughout Africa in the next few months for this purpose.

The Act has spurred companies to take a new look at Africa as a location for investment, and in fact, some companies have already made investments in anticipation of the Act's benefits.

The extent to which this new investment occurs, however, depends on a number of factors.

Chief among them is whether a country has created an enabling environment for investment through, for example, adoption of market oriented economic policies, sound regulatory policies, and transparent and predictable legal processes and investment in telecommunications and other basic infrastructure. Indeed, the criteria for eligibility for the Act's benefits are designed to promote adoption of these policies in Africa.

Another factor affecting investment with Africa is the extent to which a company sees its investment creating opportunities throughout the region -- in other words, whether a company's investment in an African country serves as a base to sell to the broader African market. Thus, integration and the reduction of trade barriers between African countries will enhance Africa's ability to attract investment. SADC's launch this year of a free trade agreement is a positive step. It is important that the integration efforts move forward as quickly as possible and that they begin to address non-tariff barriers as well. Regional integration, the Africa Act and broader participation in the world trading system are designed to create larger markets for countries' goods and clear and predictable rules, promoting commercial stability and ultimately spreading more broadly the benefits of the global economy to our peoples.

In sum, the Africa Act presents an unprecedented opportunity to strengthen and diversify the U.S.-Africa trade relationship, promoting growth and development on the continent. U.S. and African governments, together with their private sectors, should work in the spirit of partnership in which the Africa Act was conceived to ensure that the promise and benefits of the Act are realized.

Thank you.